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SUBJECT: France is Europe's leader in broadband internet

1. Summary: In 2005, France became the biggest broadband market in Europe, largely on the back of surging demand and strong pro-competitive action from the regulator. France is also one of Europe's most competitive markets, with prices about half those in other countries, including Britain. Rarely has France been so successful in promoting vigorous free-market competition. End Summary.

France's broadband market: the largest in Europe

2. France looks set to be the first country in Europe to break through the seven million broadband user mark, according to European Competitive Telecom provider Association ECTA. In March 2005, France became the leading broadband market in Europe with some 6.1 million ADSL lines and over 24,848,000 Internet users, representing 41.2% of the population. One household in four has high-speed Internet access, 10.5% use mobile devices, and 5% have a wireless connection (WiFi).

3. France has experienced a boom in broadband growth since the middle of 2003. Broadband penetration increased from 4% to 7% in the space of twelve months. Growth has centered on the extension of DSL services, spurred by local loop unbundling under the aegis of France's telecoms regulator ART (Autorite de Regulation des Telecommunications). Today, France has the second largest number of unbundled local loops in Europe. In a recent study on behalf of the Prime Minister's IT policy office (CSTI - Conseil Strategique des Technologies de l'Information), consulting firm Analysys pointed out that local loop unbundling had been "an essential catalyst for innovation in the broadband market," especially in France where competition from alternative infrastructure such as cable is limited. As a result, a variety of Internet Service Providers (ISPs) have emerged with differentiated offers, encouraging innovation and competition.

France's major broadband players

4. The champion of France's broadband boom in the retail market is Iliad, a young telecoms firm that offers some of the most advanced services in Europe. Under the "Free" brand name, the company proposes a bundled triple play of telephony, 100 channels of digital television and broadband access for less than 30 euros a month. Free had 17.4% of the ADSL market in France as of December 31, 2004. Free, along with ISP market leader, France Telecom's Wanadoo, plans a large scale roll out of ADSL 2 Plus with complete coverage across France by the end of 2005.

5. Italian incumbent, Telecom Italia, the latest newcomer on the French broadband market, recently acquired Tiscali's French internet subsidiary, Tiscali France (formerly Liberty Surf), poised to become the third largest broadband internet provider in France. Tiscali's French business counts 344,000 high-speed Internet service customers.

6. To boost its base of 310,000 subscribers, France's loss-making fixed line operator Cegetel launched a new high-speed Internet connection and voice-over-internet service. The company, which is reportedly losing 15 million euros a month, plans to offer customers up to 20 megabits of bandwidth, about 40 times faster than the entry-level broadband offer -- matching offers from Wanadoo and Free. Subscribers to the service, which will cost 14.90 euros a month, will be offered unlimited local and national calls to fixed-line numbers for another 10 euros a month using voice-over-internet protocol (VoIP) technology.

7. Cegetel further intends to enter the market for triple-play services -- pay-TV, Internet and VoIP -- in the fall, with the launch of its new multi-media C-Box. Analysts say pay-TV over the Internet is the new driver of revenues and profits for high-speed Internet service providers. According to statements made by Vivendi, one of the owners of Cegetel, to French brokerage firm Kepler last week, they hope this new strategy will to boost Cegetel's subscriber base to put the company back on a solid profit-making path.

8. Bouygues Telecom, France's third mobile operator and the rebel of the French Telecom market, is taking an alternative approach to the explosive broadband market. CEO Martin

Bouygues recently said recently that it did not make financial sense for his company to take part in the consolidation of the ADSL market, because there are already eight major Internet service providers in France. Instead, Bouygues, which has more than seven million mobile subscribers, is talking to a number of broadband service providers about offering a fixed/mobile service combination. The ambitious triple-play service provider Neuf Telecom, is allegedly the favorite to hook up with Bouygues. Neuf Telecom is in talks to become a mobile virtual network operator (MVNO) on Bouygues's network, and such a deal could see Bouygues resell Neuf's broadband services to its customers.

9. As for the wholesale market, French regulator ART has just launched a public consultation on both the wholesale market for unbundled access and the wholesale market for broadband access at the national level, which was notified to the European Commission on April 13.

Comment

10. With French ISP rates dropping to half of those in many other European countries, French broadband consumers are seeing the fruits of infrastructure investment combined with successful regulatory unbundling and line sharing policies. Rarely does France produce such a clear example of flourishing economic growth from the promotion of free-market competition. But the picture is not rose from all vantage points. France Telecom is clearly concerned about losing market share to new entrants which can often be more innovative and flexible than the old behemoth incumbent. Some companies like Cegetel have been willing to absorb losses to stay in the game, but cannot brush off concerns from investors about being in the red year after year. And, policymakers and politicians are concerned that growth and competition in broadband are thriving in metropolitan areas but leaving rural communities behind. So, two major delegations of French regulators (December 2004) and local government leaders (April 2005) recently visited the U.S. to look for lessons and best practices to ensure that broadband deployment reaches all communities, including rural and isolated areas. End comment.

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